

Community Compensation Fund

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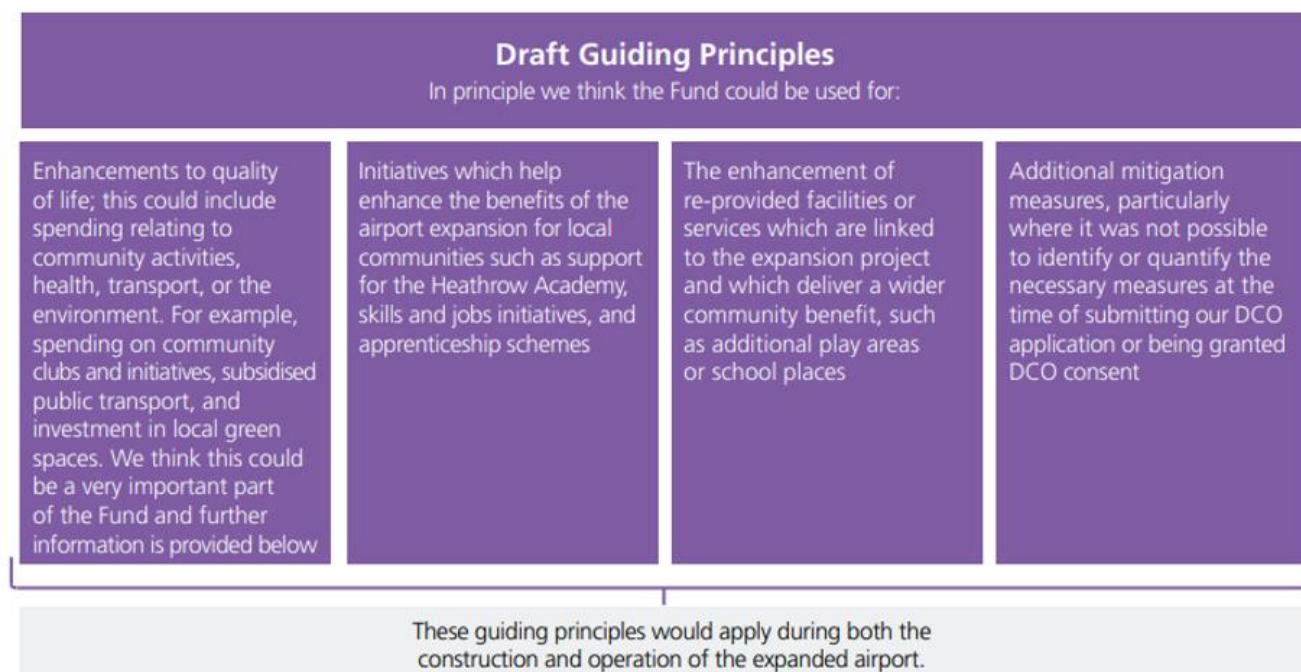
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1. Introduction

1.1 Background

- 1.1.1 We are committed to being a good neighbour to the communities most affected by our proposals during construction and operation.
- 1.1.2 We consider that Heathrow expansion presents a significant opportunity for a step change in the way we support and invest in local communities, including generating employment, skills and economic opportunities.
- 1.1.3 However, we also recognise that the scale of Heathrow expansion would impact local communities in different ways and, while we would work to avoid, minimise and mitigate these impacts, there would be some changes that would require additional support.
- 1.1.4 Given the scale and reach of these impacts, we want to ensure that there are meaningful and proportionate measures in place which can help address these.
- 1.1.5 Creation of a Community Compensation Fund is a direct requirement of the Airports National Policy Statement (ANPS), which is the current policy framework for Heathrow expansion. The ANPS recognises the wide-reaching and, in some cases, complex impacts of the expansion, and the need to make available a compensation package which is developed in partnership with communities, local authorities and other stakeholders.
- 1.1.6 We first shared our ideas for a Community Compensation Fund in 2019, during the Airport Expansion Consultation (AEC 2019). At this point, we referred to it as ‘the community fund’ within our ‘Proposals for Mitigation and Compensation: Growing Sustainably’ document.

Figure 1.1: Draft guiding principles of the Community Compensation Fund presented in Airport Expansion Consultation 2019



- 1.1.7 The Airports National Policy Statement (ANPS) is the current policy framework for Heathrow expansion. The Community Compensation Fund is a direct requirement of the ANPS.
- 1.1.8 The Government has recently consulted on proposed amendments to the ANPS, which would become the Heathrow Expansion National Policy Statement (HENPS), once published.
- 1.1.9 We consider that our emerging proposals, in relation to the Community Compensation Fund, are consistent with both the current ANPS requirements and draft HENPS requirements.
- 1.1.10 As part of this consultation, we would like your feedback on the suggested proposals, options and ideas set out within this document. This includes how the Community Compensation Fund could be sourced, managed and spent within the intended use set out in policy.

1.2 Policy Context

- 1.2.1 The ANPS describes a Community Compensation Fund within Section 5 – Assessment of impacts. The ANPS sets out that the Government:

“...supports the development of a Community Compensation Fund at an expanded Heathrow Airport. The Government expects that the size of the Community Compensation Fund will be proportionate to the environmental harm caused by expansion of the airport. The Government notes that, in its consideration of a noise levy, the Airports Commission considered that a sum of £50 million per annum could be an

appropriate amount at an expanded Heathrow Airport, and that, over a 15-year period, a Community Compensation Fund could therefore distribute £750 million to local communities.”

- 1.2.2 The wording of this requirement in the draft HENPS is largely unchanged.
- 1.2.3 In setting up the Community Compensation Fund, we would comply with the requirements of the ANPS (and draft HENPS), including the need to consult on the detail of the proposals – such as the **size, duration, source of revenue, eligibility and delivery of the fund**.
- 1.2.4 We received feedback during the AEC 2019 from local communities, local authorities, businesses and other stakeholders, and used this to update our proposals for the Community Compensation Fund. We are now sharing these updated proposals for your further feedback.
- 1.2.5 Following this consultation, we will continue to engage with stakeholders, including local authorities, the Heathrow Strategic Planning Group, the Department for Transport, the Civil Aviation Authority, our airline customers, and local communities (including through the Heathrow Expansion Independent Community Engagement Board).
- 1.2.6 In line with the requirements set out in the ANPS (and draft HENPS), we propose that the Community Compensation Fund needs to:
 - a. Be **‘relevant to planning’** – this means that the spending of funding needs to be on projects which relate to public interest, including the character, use, or improvement of land and places, and reasonably related to Heathrow expansion.
 - b. Be **‘proportionate to environmental impacts’** – this means that the size of the fund and how and where the funding is spent should be proportionate to the extent of impacts felt in the local communities because of the expansion.

What we want to hear from you

We want to hear your thoughts on the suggested proposals, options and ideas set out within this document. You can help us shape the fund to work for local communities in the coming years. Please provide your response using the feedback form.

2. The purpose of the Community Compensation Fund

The Community Compensation Fund would invest in local communities and support the quality of life of those impacted by Heathrow expansion, at a scale proportionate to the impacts of expansion.

2.1 Policy Requirement

2.1.1 The ANPS sets out (at paragraph 5.240) that:

“...the Secretary of State expects the applicant to provide an appropriate community compensation package, relevant to planning. This will include financial compensation to residents who will see their homes compulsorily acquired, as well as ongoing financial compensation to the local community.”

2.1.2 The wording of this requirement in the draft HENPS is largely unchanged.

2.1.3 We recognise that the delivery of Heathrow expansion would have a wide range of effects on local communities. Our Environmental Impact Assessment (EIA) and other assessments would consider the likely significant negative effects of the expansion and, as far as practicable, identify measures to avoid, reduce, or mitigate those impacts.

2.1.4 But, even with mitigation in place, we recognise that there would be some locations and/or topic-specific ‘residual significant effects’ (in EIA terms, this means lasting, unavoidable consequences of a project that remain after all proposed mitigation measures have been implemented) and other intangible impacts on quality of life from the presence of such a major project. There may also be potential impacts which we can’t yet identify or quantify which may need to be addressed.

What are the differences between ‘mitigation’ and ‘compensation’?

‘Mitigation’ refers to measures that we would directly apply to reduce a specific environmental effect, for example the reduction of noise impacts through the provision of noise insulation. This is different to ‘compensation’ which the Community Compensation Fund would deliver. In this context, the Community Compensation Fund provides ways to compensate or offset for effects of Heathrow expansion, in addition to and following the implementation of all practicable ‘mitigation’.

2.2 Purpose of the Community Compensation Fund

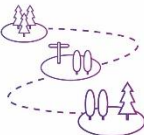
- 2.2.1 The Community Compensation Fund would provide a range of grant funding for schemes, measures and projects which can address effects on quality of life and support the economic, social or environmental wellbeing of communities affected by Heathrow expansion.

What do we mean by ‘quality of life’?

‘Quality of life’ broadly refers to individual, family and community wellbeing, shaped by factors such as health, safety, housing, work, transport, access to nature, social connection and environmental conditions.

- 2.2.2 We anticipate that the fund could help to offset:
- a. **Residual significant effects:** Effects reported as being ‘significant’ in the EIA, even after design and management plans have been put in place. This is likely to include the effects of noise from new aircraft or changes in the built environment.
 - b. **Unforeseen significant effects:** Significant environmental effects that – notwithstanding a full and comprehensive EIA – may not be predicted or reported in the EIA at the point that the application is determined. These would be identified in line with the approach to identifying, assessing and monitoring uncertainty set out within the **Environmentally Managed Growth Topic Papers** in this consultation. Heathrow has previously proposed (as part of AEC 2019) that any expenditure on such measures would be funded by the Community Compensation Fund.
 - c. **Adverse effects on quality of life:** Other adverse changes to quality of life arising from the expansion on communities, which don’t fit into categories (a) and (b) above, but are experienced by people and communities and are as a result of expansion.

Figure 2.1: Examples of effects and types of projects to be offset by the community compensation fund

Examples of effects to be offset by the community compensation fund	Examples of the types of projects the community compensation fund could support
 Residual Noise Impacts Effects of noise on communities that remain after mitigation is in place.	  Funding for improvements to parks and public gardens, play equipment, outdoor gyms sports facilities and Public Rights of Way to support communities to encourage activity, including in less noisy or alternative environments. Funding to help schools provide improved learning and social environments.
 Unforeseen Traffic Impacts Effects on traffic at locations around the airport not identified through modelling.	  Funding for highway management or improvements, subject to monitoring and where agreed with the Highways Authority. Funding for community transport schemes.
 Adverse effects on quality of life Multiple changes to community life caused by air quality, noise, land use and other environmental change that individually aren't 'significant'.	  Funding for Community Land Trusts to enable communities to own and support the place they live in. Funding for local community projects like events and festivals.

Overall, we consider that the following statement sets out a clear picture of the purpose of the Community Compensation Fund, in line with the ANPS (and draft HENPS):

Purpose of the Community Compensation Fund

The Community Compensation Fund would be used for offsetting significant effects of expansion that can't be managed by design or management plans, currently unforeseen effects, and other changes to quality of life arising from Heathrow expansion for local communities, where effects are most likely to be experienced. The fund would provide grant funding for schemes, measures and projects which promote the economic, social or environmental wellbeing of those communities.

What we want to hear from you

We are keen to collect your views on our suggested purpose of the fund, to make sure we have appropriately defined how it can be used.

3. The scope of the Community Compensation Fund

3.1 How should the Community Compensation Fund be spent

- 3.1.1 One of the most important parts of the Community Compensation Fund is to make clear how it can be spent, and on what, so that local communities can access it.

What you told us in your feedback to AEC2019:

- The majority of feedback supported the concept of a fund to support local communities impacted by expansion. We received lots of suggestions for what the fund could be spent on, with some of the most popular areas being: (i) schools and education, (ii) outdoor space and outdoor activities, (iii) public transport, (iv) community and leisure facilities, (v) natural environment, and (vi) healthcare to address the impacts of noise and air quality issues.
- There was mixed feedback on whether the fund should be used to help mitigate impacts of Heathrow expansion. Some people supported this, while others felt that the fund should be used for compensation or offsetting effects rather than for 'direct' mitigation. Some people also told us that the distinction between mitigation and compensation needs to be clearer.
- Some people told us that the fund should address a range of matters, including unforeseen impacts, and employment and training.

What we propose and would like your views on:

- 3.1.2 The ANPS (and draft HENPS) requires Heathrow expansion to provide ongoing community compensation proportionate to the environmental harm. We therefore propose that the fund would meet this requirement by supporting affected local communities and funding projects that address effects on their quality of life, while retaining flexibility to respond to changing local needs over the longer term. In response to the feedback, this means making clear what effects we are addressing, why these can't be addressed through mitigation and therefore why compensation is needed.
- 3.1.3 We don't think it is possible to be prescriptive at this stage about the specific projects the fund should spend money on. Instead, we are proposing that a clear set of criteria should be established, against which future potential projects would be assessed. These criteria would help to ensure that the fund is used appropriately, remains linked to the effects of expansion and is directed towards projects that address impacts on quality of life felt by local communities.

- 3.1.4 We are proposing that projects would be assessed in two stages. First, they would need to meet the **gateway criteria**, which would confirm whether a project is eligible for the Community Compensation Fund. Eligible projects would then be considered against a set of more detailed **secondary criteria**, to help prioritise funding by the type of impact it addresses, the location and community needs.

What are the proposed gateway criteria?

Gateway criteria would be the first test for any project seeking to be funded by the Community Compensation Fund. To be eligible, a project would need to answer positively to all of the following questions:

- Is the project ‘relevant to planning’? For example, does the project relate to the community and/or public interest, including the character, use, or improvement of land and places, and is it reasonably related to Heathrow expansion?
- Would the project provide offsetting of significant effects of expansion that can’t be managed by design or management plans?
- Would the project address an effect that can be reasonably related to Heathrow expansion, but that could not be foreseen at the time of the development of the impact assessment and mitigation?
- Would the project support measures that improve quality of life for local communities affected by Heathrow expansion? For example, would the project support affected local communities and respond to local impacts and needs linked to Heathrow expansion?

The gateway criteria would also help screen out projects or measures that cannot be funded by the Community Compensation Fund, which would be:

- Environmental measures/ mitigation already identified through the EIA
- A statutory obligation, such as measures to compensate compulsory purchase of land
- A public commitment, including other benefits or mitigation set out in the ANPS (and draft HENPS)
- Required mitigation, remediation or compliance arising from the Environmentally Managed Growth Framework

- 3.1.5 For example, the Community Compensation Fund would not be expected to fund noise insulation for homes where this is already covered by existing or future mitigation schemes.
- 3.1.6 Examples of potential projects that could be funded may include provision of new and improved public spaces, improved community facilities and resources, support for community ownership, agency and investment, funding and development of

community events, long-term capital/operational investment in community assets and multi-year projects such as community land trusts.

- 3.1.7 As another example, one beneficial use of the Community Compensation Fund would be to help people whose health may be sensitive to change as a result of expansion, but where we are not able to estimate or measure the effects at this stage. These effects are individual, often subjective and outside our ability and remit to formally assess (and therefore mitigate) at the point of application. Health support funding may be appropriate as an element of the Community Compensation Fund to provide support to vulnerable individuals in the local communities around Heathrow, addressing effects on quality of life that may be caused by expansion. The expectation is that such cases would be rare, but should they arise, a process would be in place to address severe and inequitable health outcomes. Examples of how the funding could be used include support for temporary additional respite support, temporary additional care support or care planning, or targeted additional home modifications.
- 3.1.8 The eligibility for any of the above would need to be further developed in line with the management and review arrangement of the fund (detailed in **Part 5** of this document).
- 3.1.9 If a project meets the gateway criteria, it would then be further assessed against the more detailed secondary criteria. These would help decide how funding should be prioritised between eligible projects, taking into account matters such as the type of impact being addressed, location of the project, relevance to local community needs and the potential to deliver meaningful improvements to quality of life where this has been affected by Heathrow expansion.
- 3.1.10 At this consultation, we are setting out our overarching approach to the secondary criteria. The details would be developed further as the Heathrow expansion progresses. We would make sure the secondary criteria remains flexible to respond to information gathered over time, for example during the operation of the proposed new runway. This would help ensure the Community Compensation Fund could be responsive to changing local needs, unforeseen effects and wider changes to quality of life that may arise.
- 3.1.11 We consider the secondary criteria should be informed by the EIA, including the identification of residual significant environmental effects after mitigation, and where those impacts are expected to be most experienced. They would also be informed by a set of quality of life indicators, which would help identify broader community wellbeing issues and locally identified priorities in areas affected by the expansion. We propose the quality of life indicators to be developed and reviewed by an independent academic body who would be working with local communities.

What we want to hear from you

We welcome your views on the gateway criteria discussed above, and on our approach to the secondary criteria, to help inform how the Community Compensation Fund should be spent.

3.2 Where should the Community Compensation Fund be spent

- 3.2.1 The Community Compensation Fund needs to have a clear geographical scope so that the fund is directed towards the communities and places where the effects of Heathrow expansion are experienced.

What you told us in your feedback to AEC2019:

There is support for spending where the impacts will be felt the most, such as in the communities closest to the airport. There is also support for spending the fund across a wider area.

What we propose and would like your views on:

- 3.2.2 The ANPS (and draft HENPS) requires ongoing community compensation to be proportionate to the environmental harm caused by Heathrow expansion. We recognise that the impacts of expansion would be felt in different places at different times. For example, in the early years of expansion, there may be impacts generated from the construction work despite the extensive suite of construction mitigation in place. Once the new runway is opened, there could be impacts generated by the noise of additional planes, which could impact different communities.
- 3.2.3 We would like your feedback on our approach to identifying 'Areas of Funding' for the Community Compensation Fund. Establishing 'Areas of Funding' would help guide where spending should be focused and support the prioritisation of eligible projects. It could be informed by a range of evidence, including findings of the EIA (that is to say, environmental effects such as noise, air quality and traffic, combined effects on communities), local administrative boundaries, and community areas.
- 3.2.4 Given that impacts may be experienced in different places at different times, the 'Areas of Funding' would need to be reviewed in response to changes over time, while continuing to support quality of life in these affected local communities.

Figure 3.1: 'Areas of Funding' illustrative diagram



What we want to hear from you

We would like your views on whether the fund should reflect different types of effects in different areas, and our suggested definition of 'Areas of Funding'.

3.3 When should the Community Compensation Fund be spent

- 3.3.1 We previously suggested that spending of the Community Compensation Fund could start either during the construction period or at the start of the operation of the proposed new runway.
- 3.3.2 To ensure the fund operates as intended, we proposed regular reviews of performance and effectiveness, to ensure the fund is working to address the impacts, and to check there is demonstrable evidence to keep the fund open. We suggested this review could be annual, after a number of years, or perhaps after 15 years, which is the time period referenced in the ANPS (and draft HENPS).

What you told us in your feedback to AEC2019:

Some people told us they wanted the fund to start spending either “now” or once construction had begun. In terms of an end date, some people told us that the fund should be open over the long-term.

What we propose and would like your views on:

What we want to hear from you

We are seeking your views on the proposed duration of the Community Compensation Fund. This includes when spending should begin and how funding could be raised before spending starts. For example, whether different sources of funding may be needed at different points in the construction phase or once the new runway opened.

Fund start

- 3.3.3 The ANPS (draft HENPS) indicates that the fund should be proportionate to the environmental harm caused by expansion of the airport. This means that the fund should only start once these effects arise, and therefore is dependent on planning consent being granted. The effects may start to be experienced during the demolition and construction phase, subject to the findings of the EIA and taking into account any mitigation secured through the Development Consent Order (DCO). Therefore, we propose that the fund could start spending once there is clear evidence that relevant projects meet the gateway criteria and secondary criteria.
- 3.3.4 The source of funding is still being considered and is discussed further in **Section 5**.

Fund end

- 3.3.5 The ANPS (and draft HENPS) suggests that the fund should provide ‘ongoing compensation proportionate to environmental impacts’. In line with this, we suggest that the fund may remain open as long as the Secretary of State for Transport is satisfied that the money raised is being spent in line with the gateway and secondary criteria discussed above, subject to the governance and review process set out further in **Section 5** of this document.
- 3.3.6 To help ensure the Community Compensation Fund remains effective and targeted over time, we propose that the fund is reviewed periodically, potentially every five years. The review would test whether there continues to be a clear link between the impacts arising from Heathrow expansion and how the fund is spent.
Section 4.2.

3.4 What should we name the Community Compensation Fund?

What we want to hear from you

The ANPS references a 'Community Compensation Fund'.

While this term is used in this document, we would welcome your views on whether a different name would better reflect the purpose and objectives of the fund.

- 3.4.1 We have discussed options for the name of the fund with various stakeholders and some popular ideas are:
 - Heathrow Community Investment Fund
 - Heathrow Legacy Fund
- 3.4.2 It is important to note that the Heathrow Community Trust (HCT) – an independent grant-making charity that receives funding from Heathrow – would continue to work in the local community, and we do not intend to combine it with the proposed Community Compensation Fund. This is because we do not want to limit the way the HCT spends its money by it needing to adhere to the eligibility criteria and requirements proposed in this document. However, we would also work closely with the HCT to help ensure that local communities understand the purpose and objectives of each source of funding available to them.

4. The size and source of the Community Compensation Fund

4.1 The size of the Community Compensation Fund

- 4.1.1 We have previously explained that the ANPS (and draft HENPS) requires that the size of the Community Compensation Fund should be proportionate to the environmental harm caused by expansion. This means that the size of the fund would depend on understanding the size of effects, which we will only have a full understanding of once the EIA is completed.
- 4.1.2 We also explained that the size of the fund is likely to vary over time, as it needs to respond to changes in the nature and scale of impacts during different phases of the expansion.

What you told us in your feedback to AEC2019:

Some feedback we received suggested that the fund should be big enough in size to be able to sufficiently address the impacts of the Heathrow expansion. Respondents also asked us to specify the annual size of the fund or the total size of the fund over a number of years.

What we propose and would like your views on:

- 4.1.3 We think that the size of the fund should be:
- Proportionate** to residual environmental harm – this means that the size of the fund would need to be big enough to fund projects that can help to offset impacts and changes to the quality of life for local communities impacted by Heathrow expansion.
 - Variable** – if those impacts increase or decrease, the size of the fund should vary accordingly to maintain proportionality.
- 4.1.4 If the size of the Community Compensation Fund is to be proportionate to the effects experienced, we need to understand the extent of these effects first. We will have a full understanding of the likely residual significant effects (after mitigation has been taken into account) once the EIA is completed.
- 4.1.5 By the time we submit the DCO application, we should be able to indicate what we consider to be an appropriate size of the fund in its early years of the operation (for example, up to the proposed new runway opening). This will have been informed by:
- Our work on the EIA.

- Our estimate of what, where and how we think the fund should be spent to address changes in quality of life of local communities affected by Heathrow expansion.
- Benchmarks against comparable funds operating at other major infrastructure projects, while recognising the limitations of such comparisons given the unique scale, location and nature of Heathrow expansion.

- 4.1.6 We acknowledge that the nature of disruption may have a different character during the construction period, compared to after opening of the proposed new runway, when the construction intensity would reduce and operational impacts would start to be felt.
- 4.1.7 We also recognise that the further into the future we look, the more difficult it is to know in detail the nature and extent of those impacts. We therefore suggest that at key points before the opening of the proposed new runway, and at regular points after this, reviews are undertaken to inform priorities for the future phases of spending, which considers:
- Changes in quality of life in local communities
 - Whether the impacts anticipated have actually happened at the scale forecasted, and whether the fund has been spent effectively to address these impacts
 - Monitoring of impacts which may be generated in the coming years that would benefit from the fund, including any unforeseen impacts that may arise
 - Whether a surplus of money has built up, or if there is a shortfall
- 4.1.8 These reviews, which could happen regularly, for example every few years, or based on when the impacts of the project arise and change, would help to reforecast an estimate for the size of the fund for the future, ensuring that the size of the fund available at different times remains proportionate to the impacts.
- 4.1.9 Overall, we expect that the fund would need to be bigger in the early years of expansion. As the construction period becomes less intense, negative effects may reduce, generating fewer impacts and therefore requiring less investment from the fund.
- 4.1.10 The overall size of the fund would therefore be determined by how long the fund remains open, for details please refer to: **Section 3.3**.
- 4.1.11 While the ANPS (and draft HENPS) refers to an indicative estimate for the Community Compensation Fund, the key principle is that the fund should remain proportionate to the environmental harm caused by Heathrow expansion.

What we want to hear from you

We would welcome your views on our proposed approach to reviewing the scale of the fund over time, including how this should be informed by the EIA, quality of life evidence, monitoring and regular reviews.

4.2 The source of the Community Compensation Fund

- 4.2.1 We have previously consulted on a range of possible sources of the funding, including options like a passenger levy, where travellers who benefit from expansion contribute to measures that compensate for its impacts; or other options, like funding from direct sources (which means paid for by the airlines or by us).

What you told us in your feedback to AEC2019:

Feedback suggested the funding should come from Heathrow and its operations, and/or be split between Heathrow, the airlines and Heathrow's passengers.

What we propose and would like your views on:

- 4.2.2 We have considered different ways the Community Compensation Fund could be funded. This includes whether funding could come from Heathrow or airlines directly, business rates collected at the airport, or a charge linked to passengers using the airport.
- 4.2.3 In considering these options, we have looked at how clearly each source of funding would be linked to the impacts of expansion, how reliable it would be over time, and how transparently it could be managed.
- 4.2.4 We recognise that any source would need to be transparent, carefully managed and capable of review. Clear monitoring arrangements would therefore be needed, including appropriate engagement with the regulator and airline stakeholders, to show how levy income is collected, managed and spent and to ensure it continues to be used for the purpose of the Community Compensation Fund.
- 4.2.5 The preference of the Government (via the ANPS which has not changed in the draft HENPS) is for the fund to be proportionate to the environmental harm caused by expansion of the airport.
- 4.2.6 One way this could be done is through a passenger levy – a small charge added to departing passenger tickets, with the money collected used to support affected communities. This approach would:
- c. Mean that as Heathrow grows in terms of number of flights and passengers, more funding would be available for communities affected by this change to spend on measures to address changes in quality of life as a result of expansion.
 - d. Make a link between flying and the impact of flying, whereby those who fly more make a greater contribution to offsetting the impacts on local communities impacted by expansion.

- 4.2.7 Another way to source the funding could be through the local retention of business rates, which are referred to at paragraph 5.248 of the ANPS (and this reference is retained in the draft HENPS). Business rates are a local property tax on shops, offices, and warehouses, collected based on the value of property.
- 4.2.8 As there is a significant commercial 'hub' at Heathrow, it generates a substantial amount of business rates. Business rates are collected by the Government, and then partly redistributed to local authorities (including London Borough of Hillingdon and the Greater London Authority) to help fund a wide variety of community and public services.
- 4.2.9 The scale of business rates generated by Heathrow is substantial and likely to grow over the coming years. With the local retention, there may be an opportunity for some of this to fund local community projects through the Community Compensation Fund.
- 4.2.10 It would be difficult to determine the precise amount to be raised, that would meet the test of being relevant to planning and proportionate to the effects of expansion. It also isn't known how much would be available to retain from business rates, given the retention would normally be sent to the Local Authority and given the importance of using such funding for existing public services.

What we want to hear from you

We would like your views on the potential sources of funding, as well as views on the timing of collection and whether any other of funding may be needed.

- 4.2.11 This is discussed further in **Section 3.3**.

5. Management and review of the Community Compensation Fund

5.1 Management of the Community Compensation Fund

- 5.1.1 We have previously suggested that a clear governance structure should be implemented, which makes sure money is spent in the right ways and is effective. Making sure the Community Compensation Fund is accessible for local communities, in a timely and straightforward way is also considered important.
- 5.1.2 We also suggested that:
- The fund could be organised with an overarching spending strategy set for a long period of time, or independent spending strategies for ring-fenced elements of the fund.
 - The fund could be influenced by crowd sourcing of ideas on how it should be spent.
 - We would want to, and would need to, retain a role in the operation of the fund, including monitoring the effectiveness of funding and the quality of life of local communities. We have noted that others could be involved in governance.
 - Different elements of the fund would require different approaches to delivery, including working with local public service providers, such as schools and healthcare, local business groups, and local authorities. We identified that it could be effective to directly allocate a portion of the fund for spending by the local community.

What you told us in your feedback to AEC2019:

The feedback we received suggested that the fund should be run 'independently', although this means different things to different people. Some feedback asked for the governance to be independent from Heathrow, but to include local authorities; while others thought local authorities should not be involved in the decision-making process.

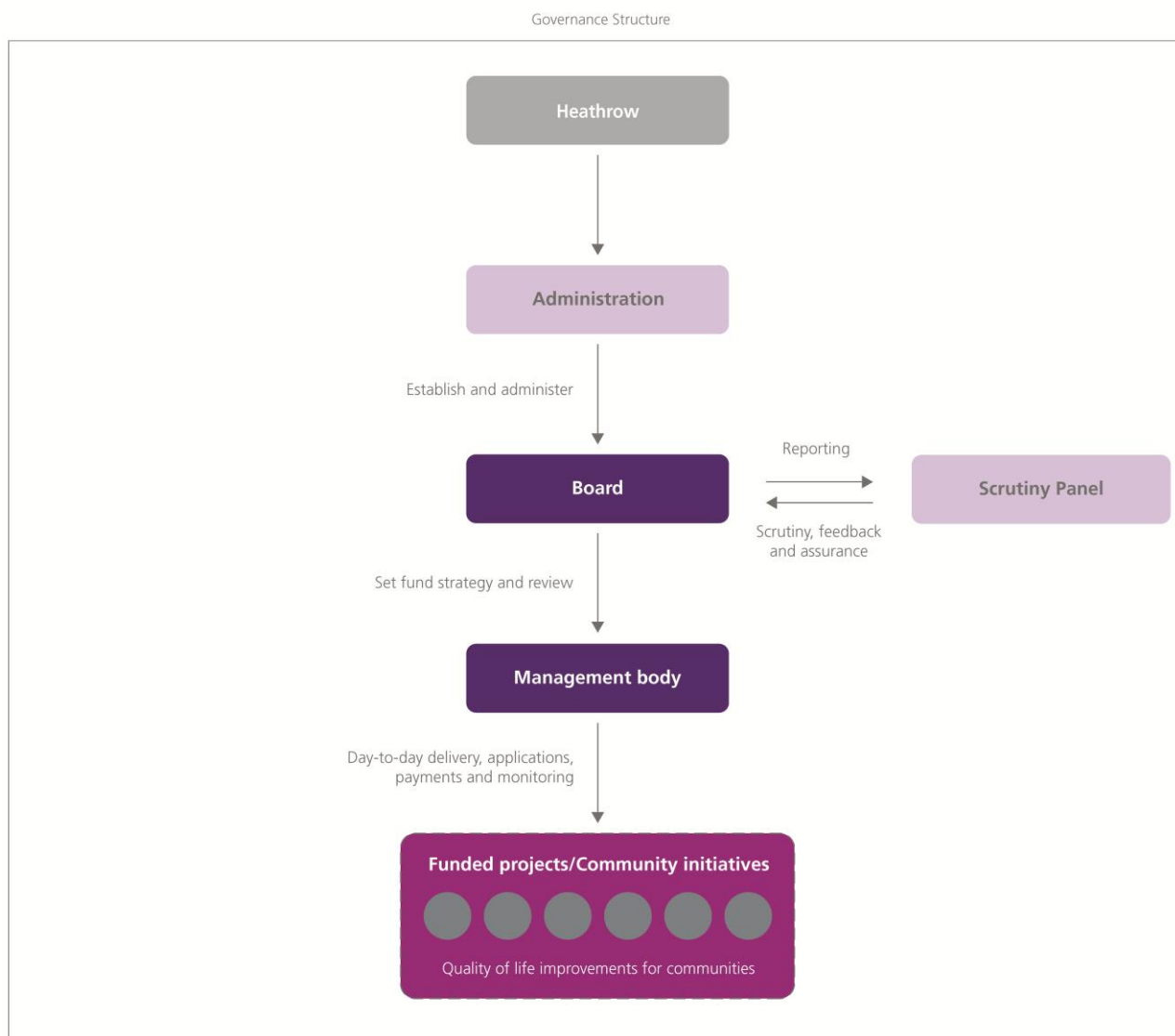
What we propose and would like your views on:

- 5.1.3 As explained earlier in [wayfinding to section on 'How should the Community Compensation Fund be spent'], we propose to use secondary criteria to help decide how eligible projects should be prioritised for funding. Secondary criteria would be kept under review, so that the fund can continue to respond to the impacts of expansion over time. This would help make sure the fund remains proportionate, responds to unforeseen impacts, and supports projects that make meaningful contribution to address changes in quality of life as a result of Heathrow expansion.

Management and delivery

- 5.1.4 We have reviewed the structure of other similar funds and how they are administered. We have also considered how we would be involved as part of the administration of the fund, alongside others.
- 5.1.5 We intend to play a role in helping to develop the Community Compensation Fund with clear and transparent governance and delivery arrangements. This should enable local communities affected by Heathrow expansion to have a meaningful role in decisions about how funding is allocated, and in shaping the projects and priorities that the fund supports.
- 5.1.6 To ensure that the Community Compensation Fund continues to be relevant to those impacted by the expansion, we believe that the key participants in the governance of the fund should be representative of communities likely to be affected.
- 5.1.7 We consider the Community Compensation Fund could be managed through an independent fund body, such as a community foundation or similar organisation. This fund body could be responsible for developing and maintaining the fund strategy, supporting regular reviews, and overseeing the day-to-day administration.
- 5.1.8 A board could be established to oversee the fund. The board could be responsible for approving the fund strategy, considering funding applications, reviewing performance and making sure that funding decisions are consistent with the purpose of the Community Compensation Fund. A management body could sit beneath the board and be responsible for the day-to-day administration of the fund, including supporting applicants, managing the application process and implementing funding decisions.
- 5.1.9 An example of this structure is set out below.

Figure 5.1: Draft governance structure for the community compensation fund



What we want to hear from you

We would like your views on whether this is an appropriate structure to govern the fund, and if so, who should be represented on the board. This could include local authorities, community representatives, Heathrow and an independent chair or fund administrator. We would also welcome views on whether local councillors, community groups or other local representatives should have a role in decision-making.

Governance and legal framework

5.1.10 The Community Compensation Fund would need to be supported by clear governance and legal arrangements. These would set out how the fund would be

managed, how decisions would be made, how conflicts of interest would be handled, and how the fund would remain accountable to affected communities.

- 5.1.11 The way in which the Community Compensation Fund would be legally secured is still being considered. However, the overall aim would be to make sure that the Community Compensation Fund is properly established, transparently managed and used only for its intended purpose.

Implementation – applying secondary criteria and providing grants

- 5.1.12 We propose that the Community Compensation Fund would be guided by a fund strategy. This would set out priorities for spending, including how the secondary criteria would be applied when assessing eligible projects.
- 5.1.13 The fund strategy could help focus funding on particular themes. For example, health and education. It could also help focus funding on particular ‘areas of funding’, in other words, places where impacts from Heathrow expansion are likely to be most experienced.
- 5.1.14 The fund strategy would be reviewed regularly so that the fund could remain responsive to changing impacts, local needs and community priorities. This is important because impacts may arise in different places and at different times as Heathrow expansion progresses. Regular review would help ensure that funding is directed towards projects and activities that align with the purpose of the community compensation fund.

What we want to hear from you

We would like your views on our suggestions for how grant applications could be prioritised, themed and scrutinised / reviewed.

Independence and scrutiny

- 5.1.15 There are different views on the appropriate level of independence of the Community Compensation Fund and our role. We are therefore considering governance arrangements that balance these views, including whether a separate scrutiny role should be established to review how the fund is performing and whether decisions are being made fairly and transparently. An independent scrutiny or oversight role of this kind is common for comparable funds, while recognising the unique scale, location and nature of Heathrow expansion
- 5.1.16 This scrutiny role could include reviewing the fund strategy proposed by the board, monitoring how funding has been spent, and considering whether the Community Compensation Fund remains aligned with its defined purpose.

What we want to hear from you

We would like your views on our suggestions for how the fund could be independent and scrutinised.

5.2 Applying for funding

- 5.2.1 We want the Community Compensation Fund to be easily accessible for local communities. This means the application process should be simple and timely, with an assessment process that is proportionate to the type and scale of funding being sought.
- 5.2.2 We are considering whether the fund should include different funding routes. For example, this could include small grants for local community organisations, larger grants for projects delivering wider community benefits, and longer-term funding for priorities set out in the fund strategy. Different types of grants could have different assessment processes, depending on the scale, location, duration and nature of the project being supported.

What we want to hear from you

We would like your views on our suggestions for different funding routes, and any other types of funding including grants and longer-term funding.

- 5.2.3 We will use this feedback to inform our approach and provide further information and guidance on the application process and how to access support to apply for funding to make it as straightforward and accessible as possible for local communities to apply.

5.3 Monitoring and Review

Monitoring

- 5.3.1 The Community Compensation Fund would need to be regularly monitored. This would help assess whether funding is being spent effectively, whether projects are having an influence on quality of life in communities affected by Heathrow expansion, and whether the fund remains proportionate to the impacts of expansion.

Review

- 5.3.2 Reviews would also help identify whether priorities need to change over time, including where unforeseen impacts arise or where the evidence shows that funding should be focused on different places or on different types of projects.

- 5.3.3 Reviews could also consider whether the scale and distribution of environmental and community impacts remain consistent with expectations, and whether the overall scale of the fund continues to be proportionate to those impacts.
- 5.3.4 Reviews could also consider how any surplus or shortfall of the fund should be managed, to help ensure that the fund remains effective, proportionate and aligned with its intended purpose.

6. Next steps and ongoing engagement

6.1 Ongoing engagement

- 6.1.1 This document builds on the feedback we received to the AEC 2019 and sets out our updated thinking about the Community Compensation Fund since then. We are now seeking your further thoughts to help us refine our proposals for the fund, ensuring that it remains proportionate to the impacts experienced by local communities.
- 6.1.2 You can find more information about how to provide feedback and engage with this consultation in **Chapter 8.2. Have your say** of the **Consultation Document** to provide your views on our emerging approach to the Community Compensation Fund.
- 6.1.3 Following this consultation, we will continue to develop our proposals for the fund through further engagement with local communities and key stakeholders, including local authorities, Heathrow Expansion Independent Community Engagement Board, Department for Transport, Civil Aviation Authority and airlines.

